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Banks — good and bad news, page 6



Prime Minister Shimon Peres consoles Bat-Sheva Katznelson (seated) and Shulamith Katznelson, mother and sister of former Justice Minister Shmuel Tamir, at yesterday's funeral in Jerusalem (See story, page 2.) (Taken/Media)

Waldheim hailed by Hussein as patriot

Jerusalem Post Staff and Agencies

King Hussein praised "the noble human values" of President Kurt Waldheim and welcomed him to Amman with swooping jets yesterday, ignoring the war crimes controversy that had isolated the Austrian leader in his first year in office.

At a palace banquet in the evening, Hussein praised the former secretary-general for his "patriotism, integrity and wisdom," and said his election showed Austrians appreciated "the noble human values for which you stand."

The unusually warm welcome came only a week after Waldheim's first state visit abroad, to Vatican City, roused protests from Jewish organizations around the world.

They accused Waldheim of covering up his involvement in the deportation of Jews and partisans to death camps during the World War II service in the German army. Waldheim has repeatedly denied the allegations.

In Jerusalem, Industry and Trade Minister Ariel Sharon yesterday demanded that Israel publicly denounce Jordan for inviting the Austrian president.

Sharon said that it should be made clear to Hussein that Waldheim's visit conflicts with the possibility of improving relations between Israel and Jordan.

But Israel refrained yesterday from condemning the visit, although it sharply criticized the Vatican last week for the audience the pope granted the accused former Nazi.

The low-key Israeli reaction appeared to be a gesture of appeasement towards Jordan amid U.S.-backed efforts to start peace talks.



Waldheim and Hussein enter the royal palace yesterday. (AFP)

Prime Minister Shimon Peres rejected Sharon's bid and Foreign Minister Peres, who was present at the ministerial meeting when Sharon called for the denouncement, did not respond to it. (Continued on Back Page)

Rabin seeks aid boost

U.S. assumes Lavi is dead

By DAVID MAKOVSKY For The Jerusalem Post

WASHINGTON. — Defence Minister Yitzhak Rabin met yesterday with U.S. Secretary of Defence Caspar Weinberger, and it was tacitly understood by the two leaders that Israel would discontinue the Lavi project. Throughout their 75 minute conversation the implications of continuing with the Lavi were not ever raised. The thrust of the talks dealt with the consequences of scrapping the project, informed Washington sources say.

The two did not discuss the specifics of the military shopping list that Rabin is presenting, yet Weinberger indicated that he hoped to provide Israel with answers before next Sunday's cabinet meeting, or within 10 days at the latest.

Rabin told Weinberger that should Israel cancel the Lavi, it would seek to purchase over 100 American F-16C fighter planes. These planes would be bought off the shelf with no Israeli coproduction. Weinberger reportedly told Rabin that Israel would be assured of quick delivery of these aircraft.

Rabin conveyed to Weinberger the anguish in Israel regarding the future of the project, in terms of national security, economic and technological factors, and the psychological impact of cancellation



Defence Minister Rabin in an expansive mood in Washington, where he is discussing the fate of the Lavi with Pentagon officials. (AFP)

on Israel's pride and morale.

The issue of U.S. aid levels also figured prominently in the talks, with Rabin requesting that military aid be increased over the current \$1.8 billion military grant in view of the decline in the value of the U.S. dollar. But even Israel's best friends in Congress have told Rabin there are no prospects for Congress increasing the current aid level.

Weinberger reportedly confirmed

that of the \$1.8 billion in annual military aid, Israel will be able to spend at least \$600 million over the next two years in the form of "offshore" military projects, even if the Lavi is cancelled. The first half, \$300 million, has already been approved as part of the budget for the upcoming fiscal year.

Weinberger did not give final approval to this scheme, but said that he would consider allowing an

additional \$300 million to be used, over two years, for sub-contracting work in Israel on the military equipment that Israel purchases in the U.S. This is known as "offsetting costs," and the administration had previously planned to phase out the programme.

Still unclear is the issue of termination and compensation costs for the Lavi, which some put at over \$400 million. One source thought that Israel would be able to use its U.S. military aid for this purpose, once the project was formally cancelled.

Rabin told Weinberger that Israel appreciated the work of former Pentagon official Dov Zakheim on the question of the Lavi costs, but Israel had decided not to seek a compromise on the issue but to meet it head on.

Post Defence Reporter Joshua Brilliant adds:

Prime Minister Shimon Peres and Vice Premier Peres are still in favour of the Lavi project but may join the opponents' camp if the financial hurdle involved in its continuation turns out to be too high.

The prime minister's spokesman last night denied that Shimon Peres had withdrawn his support for the Lavi. The spokesman was referring to an Israel Television report that quoted the prime minister as saying that under present conditions the continued production of the plane was impossible.

Hussein: Int'l parley won't impose terms

Jerusalem Post Staff

Foreign Minister Peres was evasive in the Knesset yesterday when asked whether he had met Jordanian King Hussein during his recent visit to Europe.

Peres insisted that his questioner, Likud MK David Magen, had asked whether he had met with Hussein in order to influence him to issue a communique that would allay doubts about an international conference.

"I have never been asked nor have I ever written anything of the kind for King Hussein," Peres said.

"You asked me whether I met with him to draft a speech, and I have told you I did not write this. I was not asked to write."

Magen: "I didn't ask..." Peres: "You didn't ask! Then what I can reply to you about? I have replied to you... Since I wasn't in Zurich [which Magen had mentioned] I therefore didn't meet anyone, either by day or by night, and I am free of all need to answer."

In Turkey yesterday, King Hussein stressed his commitment to an international peace conference and said that it would be solely an opening for bilateral negotiations between the parties. Hussein's conference idea resembles that repeatedly put forward by Peres.

The conference would discuss the disputed issues but would neither initiate nor impose solutions, the king was quoted as saying in the Arabic-language *International Siasa* magazine, published in Paris this week.

The PLO should represent the Palestinian people at the conference table, Hussein said, but it first had to accept UN Resolutions 242 and 338.

He repeated the principle of "land for peace," saying: "We refer to all the Arab occupied territories."

Officials in the Foreign Ministry in Jerusalem said yesterday that in his talks with Turkish leaders, Hussein had said that the superpowers would not intervene or try to impose solutions.

Defence officials defend their decisions

By ASHER WALLFISH Post Knesset Correspondent

Senior officials of the defence establishment, who appeared before the Knesset State Control Committee yesterday, presented a different version of the decision-making process in the Lavi warplane development project from the picture painted by the State Comptroller, whose report was issued on Tuesday.

Zvi Tropp, economic adviser to the defence establishment who attended the meeting with the deputy head of the Lavi project directorate, said the Lavi had been studied and analyzed more intensively than any defence production project in Israel's history. The cost calculations were based on the experience of U.S. aircraft manufacturers, and on Israel Aircraft Industries' experience in manufacturing the Kfir warplane.

The two officials said that the Treasury had played a role in the decision-making process. A committee was set up in 1982, chaired by the director-general of the Treasury, Ezra Sadan, and including the accountant-general, Eitan Rapp, the

director-general of the Industry and Trade Ministry, Avraham Oshri, and Arye Ganger, a representative of the public.

Tropp said it was this committee which recommended to the finance minister that the Lavi project continue. The finance minister accepted the recommendation, and promised to allocate resources to it outside the defence budget, they said.

The officials also said that the Israel Air Force analyzed the importance of the development of the Lavi for the battlefield strategy of the future.

The Knesset panel's chairman, David Liba'i, said that the gulf between the State Comptroller and the defence officials was so blatant that the committee would have no choice but to dig deeply and invite all the defence ministers involved in the Lavi project to appear before it.

Minister-without-portfolio Ezer Weizman will appear next Tuesday.

The executive of the Alignment Knesset faction, meeting yesterday afternoon, launched a blistering attack on Likud cabinet ministers like

former premier Menachem Begin and Minister-without-Portfolio Moshe Arens in connection with the Lavi project.

Meanwhile, the Alignment used the term "corruption" to describe the State Comptroller's revelations about the ministries of Ariel Sharon and David Levy.

Alignment leaders said that Sharon and Levy were scored by the comptroller for the way they saw to "jobs for the boys" and the way they arranged licences, permits and other material benefits for their cronies.

Alignment chairman Rafi Edri said: "Sharon and Levy have been tapping the wealth of the nation to do their friends and proteges personal favours, according to the report."

Dvora Getzler adds: An angry Foreign Minister Peres yesterday attacked calls for a commission of inquiry into the Lavi project and defended the decision on the project made by former governments. (Continued on Back Page)

Lid is clamped on soft-ware spy case

By BERNARD JOSEPHS Jerusalem Post Reporter

Police yesterday imposed a total news black-out on a big security scandal following reports that the Fraud Squad wanted those involved to be charged with treason.

At the same time an MK demanded a full-scale inquiry into the case, which involved the theft of highly

classified information from the aeronautics department of the Haifa Technion.

Accused of stealing the secrets were three former Air Force officers who were studying at the university for their doctorates. The incident took place three years ago but only came to light yesterday. Two of the three are believed to be living in the

U.S. where they are working for the company to which they offered the information.

A police spokesman refused to respond to reports that the National Fraud Squad was pressing for treason charges.

"All I can tell you is that the details of the case have been handed over to the public prosecutor. Other

than that we are not prepared to comment," she said.

In a letter to Defence Minister Yitzhak Rabin and Justice Minister Avraham Shafir, Shinui MK Mordechai Virshupski said that the three were suspected of copying top secret computer software belonging to the Air Force after setting up a company (Continued on Back Page)

Ties with China — near or far?

By DVORAH GETZLER

Contacts with China led Israel to believe that diplomatic relations between Beijing and Jerusalem could be established even prior to any peace conference on the Middle East. Foreign Minister Shimon Peres told the Knesset yesterday. But, he said, this would not happen overnight. (China yesterday stated that diplomatic relations with Israel were out of the question, despite reports of flourishing commercial links.)

Peres said the Chinese did not see the establishment of diplomatic ties as an impediment to their participation in the peace conference.

German Chancellor Helmut Kohl, due to visit Beijing soon, had been asked to repeat Israel's readiness for diplomatic ties. Peres said in answer to a parliamentary question by Likud MK David Magen.

Peres reported that at a meeting of the Middle East committee of the Socialist International in Paris recently, the Chinese diplomat attending the meeting had agreed that the issue of diplomatic ties would have to be solved, and added that there were "already scientific, industrial and agricultural relations."

But Peres refused to be drawn further, merely hinting strongly that there was more about which he would not speak. There were "gradual developments," he said.

In Beijing, a foreign ministry spokesman said yesterday: "China's position on opposing the policy of expansion and aggression of Israel remains unchanged."

"At present, the establishment of diplomatic relations... is simply out of the question," he added.

China's comments followed the arrival in Beijing this week of two leaders of the Israeli Communist Party.

Party Secretary-General Meir Wilner, who is also a Knesset member, said he was carrying no message from the Israeli government. Chinese officials emphasized the party-to-party trip had no government-level significance.

Wilner is the first Israeli Communist leader to visit China since 1956. He praised the welcome he had been given and said he had found intense interest in Israel and the Middle East.

Israel recognized the People's Republic of China after the communist takeover in 1949, but diplomatic links were never established.

Newspapers recently quoted Wang Lin Chin, a senior diplomat in Paris, as saying there were long-standing trade contacts.

More suspects held in Ganei Yehuda attack

By JONATHAN KARP For The Jerusalem Post

GANEI TIKVA. — Police yesterday arrested three Jews suspected of threatening and attacking three Arab farm workers and their Jewish employer from Ganei Yehuda. Yesterday's action brings the number of suspects to four, after a 57-year-old Ganei Tikva resident was arrested on Tuesday.

The intended victims of the attack, which took place at around 1:00 Tuesday morning, were the Arab workers, who have lived in Ganei Tikva for about a year. On Sunday, they had filed a complaint with the police about anonymous threats to kill them if they did not leave their apartment by that evening.

Nothing happened that night, but

on the following night, seven men reportedly showed up at the apartment the Arabs are renting at 3 Rehov Ze'ev and accosted them. The farmer, who was concerned that something might happen to his workers following the threats, coincidentally arrived just afterward.

The assailants reportedly told the farmer to leave or he would be hurt as well. The farmer refused to leave,

and after a scuffle he suffered light injuries. The three Arabs were not injured, police said.

The police did not release any of the suspects' names or say which types of weapons, if any, were used in the beatings.

Eliezer and Sara Schwartz, who live in the adjoining apartment, said (Continued on Page 2, Col. 2)

EC farm exports pass U.S.

WASHINGTON (AFP). — The European Community has replaced the U.S. as the world's leading exporter of agricultural products, according to a report published here.

A decade ago, U.S. farmers exported twice as much as their European counterparts. But in 1986, the 12-member European Community passed the U.S. as the world's largest agricultural exporter, wrote the U.S. Department of Agriculture in a report comparing the two farm economies.

The report said EC farm exports totalled \$28.1 billion in 1986, compared with \$26.1b. for the U.S. The 1976 figures were \$11.8b. and \$23b.

While an EC membership jump from 10 to 12 countries accounted for some of the increase, monetary policy and exchange rates were an important factor, the report added. A weakened dollar and falling world prices meant export subsidies had permitted increased European export sales at prices far below internal support levels.

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COPENHAGEN	15	20	Clear
FRANKFURT	15	20	Clear
GENEVA	16	21	Clear
HELSINKI	11	17	Clear
HONG KONG	29	33	Clear
JOHANNESBURG	3	28	Clear
LONDON	19	26	Clear
LONDON	19	26	Clear
MADRID	18	26	Clear
MONTREAL	19	26	Clear
NEW YORK	21	27	Clear
OSLO	11	22	Clear
PARIS	16	27	Clear
RIO DE JANEIRO	14	27	Clear
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THE WEATHER

Forecast: Hot and dry in hilly areas and humid on the coast.

	Yesterday's	Yesterday's	Today's
	Humidity	Min-Max	Max
Jerusalem	37	18-30	30
Golan	27	18-33	33
Nahariya	20	20-30	31
Safed	20	20-30	31
Haifa Port	38	22-32	32
Tiberias	21	22-38	38
Nazareth	21	22-38	38
Afula	21	18-35	35
Shomron	31	20-32	32
Tel Aviv	72	22-30	29
B-G Airport	48	21-31	32
Jericho	27	22-40	40
Gaza	80	23-29	29
Beersheba	27	20-35	35
Eilat	18	24-42	42

SOCIAL & PERSONAL

Violinist Itzhak Perlman and pianist Yonatan Zak performed *My Yiddish Mama* and Beethoven's *Pergolesi* at the Jerusalem Hilton last night in a benefit concert for Yad Sarah's 10th anniversary.

Political elite pay respects to Tamir

A Who's Who of Israeli political life and of the Irgun and Lehi undergrounds turned out to mourn the passing of former justice minister Shmuel Tamir, whose funeral was held in Jerusalem yesterday. Tamir died on Monday at the age of 64.

President Herzog, Knesset Speaker Hillel, Prime Minister Shamir, Vice Premier Peres, Supreme Court President Meir Shamgar, Cabinet ministers, Attorney-General Yosef Harish, MKs, judges, former members of the underground, and more recent lawyer friends, passed by the body which lay in state at Binyanei Ha'uma.

Tamir's 90-year-old mother, Bat-sheva Katznelson, who was a member of the First Knesset, sat near the coffin with her son's widow Ruth, his two daughters and son and his sister Shulamith.

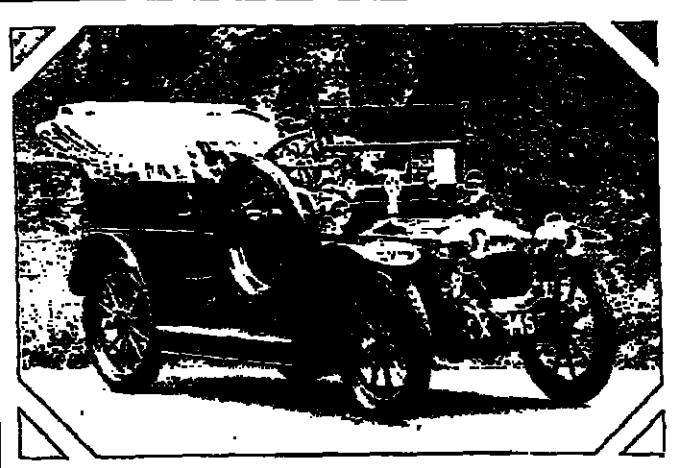
At 2 p.m. the cortege drove to the Mt. Herzl Military Cemetery, where the coffin rested for several minutes next to the grave of Tamir's son, David, who was killed in a helicopter crash in Sinai in 1971.

DFPE in Budapest

BUDAPEST (AP). — A delegation of the Israeli Democratic Front for Peace and Equality, headed by its first secretary, Uzi Burstein, arrived in Budapest Tuesday, the official news agency MTI reported.

The delegation came at the invitation of the National Council of the Hungarian Patriotic People's Front, to establish contacts between the two movements and exchange experience. MTI said.

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Amar and friends face charges of suborning witness

Attorney-General Yosef Harish announced yesterday that he had decided to press charges against seven people for attempting to suborn and pester a witness in the case against Yahad MK Shlomo Amar, who has been accused of offering a bribe to get out of doing reserve duty in Lebanon.

Harish added, however, that the bribery charges against Amar himself would be dropped due to insufficient evidence.

The seven who are to be charged attended what was later called "the nocturnal meeting," at which reserve Sergeant-Major Albert Azulay, the man who claimed he had been bribed by Amar, was allegedly pressured to change his testimony. They are: Amar's lawyer, Ram Caspi, Amar himself, if the Knesset House Committee agrees to lift his parliamentary immunity; two private investigators hired by Amar, who were retired senior police officers, Sgan Nitzav Aharon Yakim and Sgan Nitzav Avital Lambersky; Yosef Hoffman, the head of the Egged garage in Metulla, Yoram Ben Ami; and attorney Shraga Bleiser.

Attorney Yigal Arnon, in whose office the meeting was held, will also be charged, but that decision was made by the Tel Aviv district attorney to whom it was referred by the attorney-general. Arnon last night welcomed the decision to file charges against him, because it was the only way he could prove his innocence, he said.

Azulay, who was in charge of calling up reserves in his and Amar's

unit, charged that Amar had promised him a job in Egged if he would release him from reserve duty in Lebanon. Amar had been head of the Egged bus cooperative before his election to the Knesset in July 1984.

On January 7, 1986, Azulay was questioned by military police in an army installation in the North. In the middle of his interrogation, Ben Ami is said to have entered and asked Azulay to step outside. He took him to Tel Aviv, where the two former police officers, now in Amar's pay, allegedly tried to persuade him that he was mistaken in his complaint. On the following night he was invited to the "nocturnal meeting" when the participants allegedly tried to persuade him to drop his complaint.

The entire matter of the nocturnal meeting was investigated by the police, who recommended to the head of the Criminal Investigations Branch that the participants be put on trial. But he asked for a second opinion from a police lawyer, who recommended that the case be closed.

Both recommendations were forwarded to the attorney-general. He set up a top-level committee of jurists who recommended that the participants be tried.

It is still not clear whether the Knesset House Committee will agree to deal with the attorney-general's request to lift Amar's parliamentary immunity before the Knesset recesses later this month. If it does not, the entire matter will be postponed until the end of October when the Knesset resumes its sessions. (Iim).

Kahane yields on declaration

By DVORAH GETZLER

Post Knesset Reporter
A defeated Meir Kahane yesterday paid homage to Israeli democracy and after consulting "the greatest rabbi in the country," declared his allegiance to the Knesset and the State in the approved manner.

The fight to uphold the Tora and to bring about the kingdom of God on earth made it imperative that he participate in the Knesset, the rabbi ruled, according to a letter Kahane wrote to speaker Shlomo Hillel.

Thus ended a chapter of defiance which began in September 1984, when the extreme right-wing Orthodox Kahane, who was elected to the 11th Knesset as head of the Kach list, qualified the declaration of allegiance with a verse from Psalms that made it clear that he placed Halacha above the law of the land.

A month ago, Hillel called on Kahane to repeat the declaration. But Kahane again, and in tones of contempt, resorted to the quotation from Psalms: "I shall observe God's law, for ever and ever." Hillel then barred him from the House chamber.

Yesterday, Hillel called on Kahane to come forward again.

That appeal followed Sunday's High Court ruling that had given full backing to Hillel's earlier move and rejected Kahane's petition for the court's aid.

Kahane, the High Court said, had not fulfilled the necessary conditions for its aid: he had not come with clean hands and a pure heart, and he had "sworn deceitfully."

Hillel refused to call Kahane on

Sunday after learning that the Kach leader intended to take the oath in a manner contemptuous of the Knesset. The Speaker told him that until he received a written undertaking that Kahane would declare his allegiance without further trickery he would not be called again. He also stopped Kahane's parliamentary salary. There was a limit to the Knesset's patience. Hillel told the Knesset yesterday.

Further, Hillel said he had made it quite clear to Kahane that his intention to make the declaration in Arabic — as a sign of his contempt for the Knesset — was unacceptable.

The use of Arabic "was not intended to express contempt, or to insult the Knesset, but rather to enable Arab MKs to express their views in their own tongue," Hillel said.

Hillel then told the Knesset that Kahane had sent him a letter citing rabbinical advice. "I don't know from which rabbi," Hillel added. Accordingly, he was calling on Kahane in the hope that he would "make the declaration in full, and in all sincerity, and thus honour the House, the legislature, as required by law. I call upon him to come to the podium and say, after my reading of the declaration, 'I so undertake'."

Kahane went obediently and stood quietly as Hillel read: "I undertake to be faithful to the State of Israel and to faithfully fulfill my obligations as a Knesset member."

"I so undertake," said Kahane. And, without uttering another word or glancing at the Speaker, he turned and left the chamber.

SUSPECTS

(Continued from Page One)

They were awakened after 1 a.m. by the sound of rocks, breaking bottles, punches and screams. The Schwartzes, an elderly couple, said yesterday that they had good relations with their Arab neighbours. They also said that four young Arab men, rather than three, rented the apartment.

Meanwhile, 10 young rabbis who officiate in religious kibbutzim and moshavim yesterday issued a public statement sharply criticizing recent attacks on innocent Arabs, their property and their personal dignity.

The rabbis, whose statement came in the wake of the attacks in Ramat Amichur and Ganei Yehuda, said that such acts, committed by Jews "constituted a desecration of the Name [hailul shem shantayim] and were totally at odds with a sense of natural justice and of Israel's Tora morality."

The signatories were Rabbi Yehuda Gilead of Kibbutz Lavi; Rabbi Shmuel Shapira of Moshav Hazorim; Rabbi Menachem Waldman of Moshav Nir Etzion; Rabbi Simcha Weiss of Moshav Kfar Haroch; Rabbi Danny Shilo of Katzin; Rabbi Yosef Tavori of Moshav Be'erot Yitzhak; Rabbi David Bergman of Ma'aleh Hagibon; Rabbi Shmuel Fuerstein of Kibbutz Sde Ilan; and Rabbi Yehzekel Lichtenstein of Kibbutz Ein Hanatziv.



Foreign Minister Shimon Peres shakes hands with Israel's new consul-general to Atlanta, Muhammad Musrawwa, at a party yesterday in his honour in his hometown of Kafr Kar'a. At right is Minister without Portfolio Ezer Weizman. (C. Nutkiewicz/Medea)

Amal rounds up Palestinian arms smugglers near Tyre

By DAVID RUDGE

Jerusalem Post Reporter
ROSH HANIKRA. — Amal Shi'ite militiamen have arrested dozens of Palestinians suspected of smuggling arms to the Rashidiyeh refugee camp near Tyre.

Some of the weapons, which included Grad missiles and Katyusha rockets, were undoubtedly destined for use against targets in Israel and the security zone in South Lebanon, informed sources told *The Jerusalem Post*.

In the past few days, Amal militiamen have detained more than 50 people, mostly Palestinians.

The round-up of suspects followed the discovery, 10 days ago, of a huge arms cache in olive groves near the Rashidiyeh camp.

The hidden store contained 300 Kalashnikov rifles, scores of RPG

launchers and grenades, as well as the Grad missiles and Katyushas.

The weapons had apparently been smuggled from Palestinian camps near Sidon through a well-organized chain.

Sources in South Lebanon said that Amal militiamen had increased their watchfulness around the Palestinian camps in the south following the discovery of the cache.

Amal lifted its four-month siege of the camps in February, after intensive Arab and international pressure. Nevertheless, the Shi'ite organization has maintained its control and supervision of all access routes.

The sources noted that, despite the lifting of the siege, relations between Amal and the Palestinians were still "very strained," especially in the south.

"For the most part the young men

stay in the camps on guard, while the older people and women go out to get supplies and then return," said one source.

He stressed that Amal's overriding reason for maintaining its close watch on Rashidiyeh and nearby camps was to prevent a resurgence of Palestinian power in the region.

"All the action taken by Amal is directed towards that end. They don't want the Palestinians to become a military force and start ruling the lives of the local population as they did in the past."

"The rockets and missiles were probably destined for use against Israeli targets, but such weapons, especially the rifles and RPGs, could just as easily have been turned against the local residents," the source added.

High Court asks why complaints against Sharon weren't checked

The High Court of Justice yesterday gave the police minister and the force's inspector-general 90 days to explain why they had not investigated complaints filed against Industry Minister Ariel Sharon and people connected with him.

The court, comprising Justices Aharon Barak, Gavriel Bach and Eliezer Goldberg, were ruling on an application by Citizens Rights MK Ran Cohen, who had filed the complaints against Sharon.

The allegations deal with Sharon's ban on the import of munition while being a munition raiser himself; the import of iron rods, in opposition to established ministry policy, which benefited a close supporter; the submission of false documents by Sharon's aide, Israel Katz, in support of his candidacy for the post of deputy director of Israel Chemicals; and Sharon's approval of \$150,000 in ministerial aid to a member of the Herut Central Committee, whose security-guard firm was in financial trouble.

The court found that the fact that the State Comptroller had not seen fit to comment on those complaints was insufficient cause for the police not to investigate them. Cohen's attorney presented the court with a deposition claiming that the ministry had withheld critical evidence from the comptroller when he had sought to investigate the complaints. (Iim.)

Different kind of Aids test

By BRADLEY BURSTON

For The Jerusalem Post
BEERSHEBA. — Medical student Eran Shenkar gave himself a case of Aids earlier this week. But after 12 hours, he decided he'd had enough.

"One of the nurses told me she stopped breathing when she entered my room," Shenkar said yesterday, after participating in an optional "simulation project" designed to give the first-year students at Ben-Gurion University's medical school a taste of what being a hospital patient is like.

Last Sunday morning, the 23-year-old Shenkar, unshaven and dishevelled, appeared at the emergency room of Soroka Hospital here with simulated test results consistent with those of an Aids sufferer. He told the staff that he had been in the U.S. for eight months and had taken ill after having a number of sexual relationships. A physician who had been told in advance of the exercise ordered blood tests, cautioning staff against nicks from the needle.

Shenkar was then admitted and hospitalized in the quarantine room of an internal medicine ward. For some time, Shenkar said yesterday, no one on the staff dared approach him, but eventually staff members treated him well. "if with caution."

"There were no examples of leaving the meal tray by the door and running out again," Shenkar said, adding that the most difficult of the exercise from the staff's point of view seemed to be accepting the fact of his sudden "recovery." Though he had a certificate stating that it was a simulation exercise, "the staff couldn't break down the barrier that had gone between us."

Green light for NRP on Who's a Jew amendment

By ASHER WALLFISH

The Chief Rabbinate Council this week decided that the National Religious Party can support the Shas initiative to push through the essence of the "Who is a Jew" amendment to the Law of Return through the back door.

Shas has proposed an amendment to the 1977 Mandatory Ordinance that required all religious conversions in the country to be approved by the head of the religious community to which the person was converting. The Shas amendment would have extended the terms of the ordinance to conversions performed abroad, thus making all Reform and Conservative conversions subject to

approval by the local chief rabbis.

This week's Chief Rabbinate decision makes NRP support for the Shas bill conditional on making the term "religion" in the ordinance synonymous with "nationality." It is believed that such a change could spark a major constitutional crisis.

MK Avner Shaki (NRP), told *The Jerusalem Post*: "Identity cards do not specify a person's religion, only his nationality. What we care about is what it says in the identity card. Therefore the draft legislation will have to read that the purpose of registering a person's acquired religion, a Jew's 'religion' and 'nationality' will be regarded as one and the same."

MK censures Red Cross, Amnesty

By BENNY MORRIS

MK Miriam Glazer-Ta'asa has demanded that Foreign Minister Peres halt the activities in Israel of the International Committee of the Red Cross and Amnesty International, until they intercede on behalf of three dozen jailed Ethiopian Jewish activists in Ethiopia.

In the call to Peres, the chair-

woman of the Knesset Immigration and Absorption Committee declared that Israel "should not agree to the Red Cross and Amnesty operating freely in Israel" while they do not "similarly act" on behalf of the Ethiopian Jews. She was apparently referring to the two organizations' work on behalf of jailed Palestinians in Israel.

Weizman thinking of Red Square

By BERNARD JOSEPHS

Jerusalem Post Reporter
Minister-without-Portfolio Ezer Weizman declared yesterday that he would "gladly accept" an invitation to visit Moscow — if and when it comes.

He said he was convinced that big changes are afoot in the Soviet Union, but confided that it was not just the liberal-seeming policies of Mikhail Gorbachev that had persuaded him.

Rather, said Weizman yesterday, it was the sight of the Russian leader's granddaughter standing on the podium in Red Square on May Day that had confirmed his views.

Speculation is growing that Weizman is to receive an invitation from the Kremlin for top-level talks with Soviet officials.

Even his own staff were in a spin over the affair. Late Tuesday night an aide told *The Jerusalem Post*: "We don't know anything about it."

Yesterday morning the same aide said no invitation had arrived, but added he could confirm that one had been sent via French intermediaries. Then, last night, Weizman's staff said they simply didn't know if a letter from Moscow was on its way.

Weizman said that there could be a few problems getting the trip approved by the cabinet, but he was sure the government would not turn down an opportunity for direct talks with the Soviets.

As to what he would say to Gorbachev's men, Weizman cautioned: "That is something that would have to be decided if and when the invitation arrives. I am sure I will be ordered what to say and what not to say. Maybe the cabinet will try to put me in handcuffs — but I'm a great Houdini."

The minister, one of the cabinet's more dovish members, told this reporter that he had no doubt that Soviet policy was changing. "I've been saying so publicly for two years," he went on.

Dvora Getzler adds:

Foreign Minister Peres yesterday insisted that he had no knowledge of any invitation to visit Russia issued to Minister Weizman or any other minister.

Peres, replying to parliamentary questions in the Knesset plenum, said that if such an invitation were issued, it would be the government and the government alone that would give permission for the visit to take place, and determine which minister would make the visit.

As minister-without-portfolio, said Peres, Weizman probably had no exact counterpart in the USSR who could issue a collegial invitation.

Court agrees to Suissa's release

RAMLE (Iim). — Former Prisons Service commissioner Rafi Suissa, whom police detained on suspicion of attempting to suborn witnesses in connection with burglary charges against his son, David, was due to be released last night.

Agreement on the conditions of the release, which was concluded between the police and Suissa's lawyer, were approved by Ramle Magistrates Court Judge Avraham Beiser. Suissa promised not to contact anyone connected with his son's case.

AMERICAN FRIENDS OF SHAARE ZEDEK MEDICAL CENTER extends condolences to the family of

ELSA (Zelda) PELS

who passed away in London on June 29, 1987

Charles H. Bendheim, President
Am. Committee for Shaare Zedek
Morris Talansky, Exec. Vice-Chairman
Int'l. Board of Governors
Ludwig Jesselson, Chairman
Board of Directors

The Administration of the Shaare Zedek Medical Center shares the grief of ELCHANAN PELS on the death of his mother

ELSE PELS

May you be comforted together with the mourners of Zion and Jerusalem.

The Israel German Chamber of Commerce and Industry shares the grief of its President, MR. MICHAEL PASSWEG on the passing of his beloved wife

ELLA

SEOUL (AP). — President Chun Doo Hwan yesterday announced his agreement to opposition demands for direct presidential elections and sweeping democratic reform.

The changes are intended to end decades of authoritarian government.

Chun, looking tired and grim, went on national television to make the announcement, which came three days after the end of 2½ weeks of daily, often violent anti-government demonstrations.

"Because social stability and national harmony were being undermined by the recent continuing demonstrations and strife...I believe that you, my fellow countrymen, not only experienced serious inconvenience and anxiety but were also worried that catastrophe might befall the nation," Chun said.

The president who said he had "spent many sleepless nights" announced he would accept demands for direct presidential elections, electoral reform, press freedom, release of political prisoners, curbing of central government power and other measures.

"Now is a crucial moment in the destiny of the nation," he said.

South Korean president backs down

Chun consents to sweeping reforms, direct elections

Chun repeated his pledge to step down when his seven-year term expires on February 25 and transfer power to a president elected by direct popular vote. The electoral college system to be scrapped had virtually guaranteed victory for the ruling party.

He promised an extensive amnesty for political prisoners, but did not mention specifically Kim Dae Jung, a veteran dissident under a suspended 20-year prison sentence from a 1980 sedition conviction that stripped him of his civil rights and barred him from politics.

Koreans greeted Chun's announcement with happiness, excitedly discussing the impending changes. Groups of people gathered in shops, tea houses and other places

to hear the speech on television and radios. Extra editions of newspapers were published.

Chun's concessions amounted to an agreement to dismantle the tough political controls his government has exerted since he took power with military backing in 1980. He said work already had begun on releasing political prisoners and other measures.

"No matter how good a system may be, it is of no use if the people do not want it," Chun said. "I believe that the intrinsic function of politics is to carry out the public will."

Opposition leaders hailed the speech and said the government had accepted that the Korean people wanted democratic government and an end to the authoritarian govern-

ments that have dominated the nation since its founding in 1948.

"The government and the ruling party have set forth the measures for democratization. But they resulted from the persistent struggles by the people, students, religious people, intellectuals and workers," said Kim Young Sam, leader of the main opposition Reunification Democratic Party.

Roh Tae Woo, head of the ruling Democratic Justice Party who had been handpicked by Chun to succeed him as president, stunned the nation on Monday by demanding the president submit to opposition demands. Roh, another former general, said he would resign if Chun did not agree.

Chun acknowledged that there

had to be change and he accepted Roh's eight-point plan encompassing the main opposition reforms.

But Chun sought to defend his policies and past opposition to direct presidential elections, saying he still believed they would cause problems. He said that in the past they had "led to protracted one-man rule."

"However, I clearly recognize the fact that regardless of the possible merits and demerits of a particular system and irrespective of the preferences of any specific political party, the general public has an ardent desire to choose the president directly," he said.

Roh's eight-point package essentially demands an end to the strict government control over many aspects of Korean life. Politics would not be regulated, people would have the right to express their views freely, the government would respect human rights and local government, colleges and other bodies will be allowed autonomy.

A key demand is an end to existing controls on press freedom, such as a ban on newspapers having correspondents in the provinces and regulations requiring journalists to have official credentials.

Iraqi jets hit tanker in 'reprisal' raid

BAGHDAD. — Iraqi planes yesterday attacked an oil tanker in the Gulf close to the Iranian coast, the Iraqi news Agency (INA) reported. It quoted an Iraqi military spokesman as saying the planes made accurate hits on the vessel and returned safely to base.

The attack follows an Iranian raid on Tuesday on a Kuwaiti cargo ship, itself in reprisal for a first Iraqi attack on Monday on another tanker off the Iranian coast.

In a related story, Reuters reported that President Reagan's plan to protect 11 Kuwaiti ships in the Gulf will likely begin in two weeks despite grave fears in Congress that U.S. forces could be dragged into military confrontation with Iran.

Iran on Tuesday had urged the United Nations to punish Iraq for resuming "large-scale use of chemical weapons" against Iranian civilians.

The Iranian complaint to UN Secretary-General Javier Perez de Cuellar was prompted by Iraq's reported chemical attack on the western border city of Sardasht on Sunday. Iran's mission gave the updated casualty count on Tuesday as 2,050, including 12 dead and 650 seriously injured.

Iranian President Ali Khamenei on Tuesday boasted that his nation's missiles can deal Iraq fatal blows and warned U.S. forces to pull out of the Gulf or face humiliation.

In Moscow, the U.S. envoy to the United Nations, Vernon Walters, yesterday began an official visit expected to focus on efforts to end the Gulf war.

U.S. embassy spokesman Jaroslav Verner said Walters would meet Soviet Deputy Foreign Minister Vladimir Petrovsky today for a first round of talks. He said meeting with more senior Soviet officials were possible.

In other developments, French police kept a close vigil on the Iranian Embassy in Paris after reports that a wanted Iranian was hiding in the building, the Interior Ministry said.

Police questioned several people entering and leaving the Embassy in the exclusive 16th district and French Television broadcast pictures of a man it said was an embassy official being led away by police for questioning.

Iran reacted with a warning of "the consequences of such behaviour."

Police stepped up security around the Embassy after reports that Embassy interpreter Valid Gordji, suspected of links with Middle East terrorists accused of bomb attacks on the French capital last year, was in the building.

Intelligence experts say Gordji is suspected of being the head of Iranian Intelligence in France.

Problem for 'Glasnost'

Sinister Soviet nationalist association revives Protocols of Elders of Zion

By ANDREW WILSON

MOSCOW. — Hardly a week goes by here without more exposure in the Soviet press of the activities of the sinister Russian nationalist association called *Pamyat* (Memory).

The latest, in *Izvestia*, is by two reporters who have listened to recordings of a *Pamyat* meeting at which speakers are said to have read out part of the notorious *Protocols of the Elders of Zion*. The *Protocols* purport to be a verbatim report of a congress at the beginning of this century at which Jewish leaders are supposed to have plotted to seize world power. A subsequently proven forgery, they were put out in 1905 by right-wing extremist Russian patriotic association, the Union of the Russian People, and later used by the Nazis to justify the Holocaust.

Izvestia describes their history as "dirty and sordid" — yet *Pamyat* considers them to be "one of the keys to a 'real' understanding of the past, present and future of the country in which we live."

The two reporters described a visit to the home of a prominent *Pamyat* supporter, D.D. Vasiliev: "The flat where our conversation took place looked like a museum. One the walls were icons, pictures, old photographs, including a photo of the Tsar and his minister, Stolypin. But on the table was a volume of Lenin."

"How can one reconcile these things — Stolypin on the wall and Lenin on the table? Later we found that Stolypin is considered by *Pamyat* to have been a progressive reformer whose experience should be used in today's

perestroika (reconstruction)."

The reporters go on to describe *Pamyat* followers as "hysterical" and "dramatically suspicious." Their leaders have a "half-knowledge of history" and are a "demagogic group exploiting those who really care about today's problems." (The ostensible and original aim of the association was to preserve the Russian cultural and architectural heritage, by restoring old monuments.) Their followers are sufficiently naive to believe their innuendoes about the "dark power of the Jews," says *Izvestia*.

For example, Vasiliev cites the *Protocols* reference to underground passages built in every world capital in order to blow up seats of power, and claims that the Moscow Metro will be used for the same purpose. *Pamyat* leaders are also convinced that the "dark powers" have had a hand in the editing of Soviet leader Mikhail Gorbachev's speeches, deleting every good thing that is said about the Russian people.

Crackpot though it may be, *Pamyat* clearly has a following and knows how to touch an obsessional, chauvinistic chord that has historically been present in half-educated sections of the Russian society.

The irony is that it should now present a problem to the new era of *glasnost* (openness) in which the authorities are reluctant to seem to go back on their word by suppressing a movement that they nevertheless recognize as being extremely unpleasant.

Pamyat is clearly aware of this dilemma, and trading on it. (London Observer Service)



FORTY-SEVEN YEARS AFTER. — Army sappers with a World War II 2,200-lb. bomb which they safely defused late on Tuesday. It was found by workers on a building site at Bermondsey, South London. Police emptied streets, evacuated homes and closed pubs for 30 hours as sappers defused the bomb which was dropped during the Nazi blitz of the British capital. (AFP)

Diluted farm reforms for EC

BRUSSELS (AP). — Farm ministers of the European Economic Community (EEC) agreed yesterday on a watered-down package of farm policy reforms designed to curb the EC's growing subsidies and surpluses.

The measures include a general freeze of guaranteed prices for farmers' produce and a series of changes in regulations designed to curb overproduction.

The package had been in dispute for more than three months, creating political tensions among many of the trading bloc's 12 members.

Dropped from the deal was a new tax on vegetable oils and fats that the U.S. and other EEC trading partners had lobbied against as a protectionist move that could trigger a trade war.

The accord was reached by a majority vote shortly after dawn, several hours after a summit meeting of the EC heads of government or state settled two of the stickiest issues in the farm negotiations.

The Greek delegation to the farm talks voted against the package, while West Germany and Ireland opposed certain parts of it.

Officials said they were pleased with the outcome, even though many of the measures were either removed or weakened in order to satisfy the majority.

"This does represent a further significant step in reform" of the trading bloc's common agricultural policy, said John MacGregor, the British Minister.

The EC's agricultural policy in-

cludes a complex system of export subsidies, production incentives and guaranteed prices that shields Europe's farmers from the effects of falling world prices for agricultural commodities. It is blamed for creating huge surpluses of milk, grain and other products that are straining EC finances.

About 70 per cent of the community's current budget of 36.2 European currency units (about \$41 billion) is spent on agriculture.

The agreement ended months of bitter wrangling over the proposal, which was supposed to have been decided by April 1, when the 1987-88 farm marketing year began. Because of the deadlock, the previous year's farm prices and regulations had been extended.

U.S. puts ban on Toshiba

WASHINGTON (Reuters). — The Senate voted in anger late Tuesday to punish Japan's Toshiba Corp. and the Norwegian firm Kongsberg Vaapenfabrik with a costly ban on imports because of illegal sales of advanced military technology to the Soviet Union.

The U.S. accounts for about 10 per cent of Toshiba's sales and the move could cost the company between \$3 billion and \$4 billion, industry analysts said.

The Senate voted 92 to 5 to require at least a two-year ban on imports of the two companies' products.

Congress has been outraged at the severe blow dealt to U.S. military technology by the sale of advanced propeller milling machinery and computer software in a joint effort by Toshiba and Kongsberg.

The exports enabled the Soviet Union to vastly improve its submarine fleet by making the propellers nearly noiseless and thus overcoming a substantial Soviet naval weakness.

To become law the ban must also be passed by the House of Representatives and signed by President Reagan.

In Tokyo yesterday, the president and chairman of Toshiba, Sugichiro Watanabe and Seiichi Saba, resigned to take responsibility for the illegal sales to Moscow.

Barbie trial uproar over accusations against Israel

LYON (Reuters). — Klaus Barbie's lawyer yesterday compared the former Nazi officer's war record with Israel's treatment of Palestinians, provoking anger among private prosecutors.

Public galleries packed with journalists and onlookers erupted in applause and whistling as lawyers shouted at each other during a final plea by Barbie's three-man defence team.

The uproar, one of the noisiest in the two-month trial, broke out when a lawyer representing Jewish victims of Nazi persecution, Michel Zaoui, tried to interrupt the final arguments of Algerian lawyer Nabil Bouaita.

"This is extremely grave and intolerable," he shouted after Bouaita suggested that the 73-year-old former Gestapo chief was no more guilty of crimes against humanity than Israel.

Joined by other prosecution lawyers representing Jewish groups, Zaoui demanded court time to reject accusations against Israel.

Under French law, lawyers representing private groups can associate themselves with the state prosecution. There are 39 such lawyers pleading on behalf of Jews and former members of the French resistance movement.

Earlier, the lawyer defending Barbie accused France of racial discrimination in trying Barbie for crimes against humanity while ignoring the killing of thousands of Algerians by French troops.

"Do crimes against humanity only merit this name when they are committed against Europeans?" Jacques Verges asked as he began his final plea before the Lyon assize court.

The 73-year-old defendant, continuing a boycott begun on the third day of the two-month-long trial, was again absent from the dock.

His lawyer said any crimes committed by Barbie while Gestapo chief in this southeastern French city from 1942 to 1944 were no different from those committed by France during fighting in Algeria and other colonial conflicts.

Verges stabbed his finger angrily at prosecution lawyers on the other side of the court as he protested at those who tried "to discriminate in what is intolerable."

Referring only briefly to Barbie and his alleged crimes, Verges focused on France's suppression of a 1945 uprising against colonial rule in the Algerian town of Setif.

He said 15,000 Algerians, including scores of women and children, were gunned down in Setif while only 104 Europeans died in the short-lived rebellion.

The state prosecutor on Tuesday urged that Barbie be jailed for life for his role in the deportation of over 800 Jews and resistance fighters to Nazi death camps during World War II.

Verges, a left-wing activist and a member of the wartime anti-German resistance, has three days to persuade nine jurors and three judges to reject the demand for a life sentence, France's stiffest sentence. He is assisted by lawyers from Algeria and the West African state of Congo.

It was the first time since the trial began on May 11 that the defence had been able to pursue at length its claim that the former Nazi police interrogator's actions were no worse than crimes committed by France during its colonial wars.

Judge Andre Cerdini had previously dismissed such comparisons as irrelevant and refused to allow defence witnesses to dwell on the issue.

Barbie is the first and probably the last former Nazi to be tried in a French civil court for crimes against humanity, a concept adopted by the post-war Nuremberg tribunal before which Nazi leaders appeared. It was introduced into French law in 1964.

He was sentenced to death twice in his absence by French military tribunals in the 1950s. The sentences are no longer valid as they were for war crimes covered by a 20-year statute of limitations.

FOREIGN BRIEFS

Bad food, no vote for canteen manager

MOSCOW (Reuters). — Moscow University teachers and students, tired of bad food, took revenge on their canteen manager by refusing to elect her as a local councillor, it was reported yesterday.

Irina Dodonova stood unopposed in a district where most of the voters were students and academic staff, yet was the only candidate in Moscow who failed to reach the 50 per cent share of the vote required to win a seat, *Livurnaya Gazeta* said.

It said Dodonova was capable of producing fine meals and good service when Communist Party officials or foreign delegations ate at her canteen, but that regular customers knew the unpalatable truth about her food.

Couple claims \$20m. lottery prize in U.S.

HARRISBURG, Pa. (Reuters). — A Pennsylvania lottery ticket worth \$20.4 million was cashed in on Tuesday by a couple who waited more than two weeks before claiming their winnings so they could get legal and financial advice.

The winning ticket came up in Super 7, a game in which players try to match seven of 11 numbers randomly drawn from 1 to 99.

"We felt from the beginning this was a gift from God," said Glenn Banner, 53, a high school Spanish teacher. He said he planned to keep his job and he and his wife would keep their home so long as others respected their privacy.

Bolshoi Ballet bomb scare at Lincoln Centre

NEW YORK (AP). — A grenade wrapped in aluminium foil was found in a trash can in Lincoln Centre before a performance of the Bolshoi Ballet on Tuesday night, according to the centre's director of security.

At the time, authorities were not even aware that bomb threats against the Soviet Ballet troupe had been phoned to the Associated Press, the *New York Times* and a police emergency operator, the security director said.

Across from Lincoln Centre, a small demonstration was held by an organization called "The Student Struggle for Soviet Jewry." The protesters held up signs saying, "Free Soviet Jews" and "No Ballet until Freedom for Jews."

Arab-Americans to block shutting of PLO offices

WASHINGTON (AP). — Arab-American leaders and others who support a dialogue with the PLO announced Tuesday the formation of an organization to oppose efforts to close PLO offices in the U.S.

The American Commission on American-Palestinian Relations sponsors include former hostage Rev. Benjamin Weir, and encourage a dialogue between the U.S. and the PLO, and the American Israeli Committee for Israeli-Palestinian peace, two liberal Jewish groups.

The commission will encourage a dialogue between the U.S. and the PLO.

Iranian diplomats leave UK in last expulsions

LONDON (AP). — Britain and Iran ended their tit-for-tat expulsions on Tuesday when 15 Iranian diplomats flew home, leaving one caretaker representative in each country.

The diplomatic row began on May 9 when British police arrested an Iranian diplomat in Manchester and charged him with shoplifting. Britain's no. 2 diplomat in Teheran, Edward Chaplin, was then beaten and arrested, apparently in retaliation. The two countries then went through a series of expulsions and voluntary reductions of diplomatic staff.

Firm sells 28 million condoms to Aids foundation

MELBOURNE (Reuters). — An Australian-based company yesterday announced a contract to supply 28 million condoms to a new anti-Aids foundation set up by British millionaire businessman Richard Branson.

Pacific Dunlop said in a statement that its Ansell International division, the world's largest producer of condoms, had signed an exclusive long-term contract to supply Branson's Virgin Foundation with condoms.

Gov't allows Murdoch to buy 'Today'

LONDON (Reuters). — The government yesterday sanctioned the sale of the financially troubled daily newspaper, *Today*, to Australian-born newspaper magnate Rupert Murdoch.

Trade and Industry Secretary Lord Young told parliament that Murdoch's £38 million bid to purchase the daily would not have to be referred to the Monopolies and Mergers Commission.

Young made clear that Murdoch, whose News International already owns two dailies, *The Times*, at the

top end of the market and *The Sun* at the popular end, was being allowed to acquire *Today* because it was in dire financial straits.

Murdoch, a U.S. citizen, announced his bid for *Today* on Tuesday after the abrupt withdrawal of an offer by British newspaper tycoon Robert Maxwell.

Today has been in the red since it was launched in March 1986 in the vanguard of the revolution to break the print union stranglehold on Britain's national newspaper production.

סוף שבוע עם הנצח

היום לאנשים חושבים

In This Weekend's Ha'aretz

Blazing Streets

A Week With Jews and Arabs in Ramat

Amidar/Ban Kialov

The Great Likud Slipup

State Comptroller's Report/Toi Marcus

In the Shadow of the Lavi

Special report on the defence industries/Roman Frierster

Ambassador From Another World

Pickering maneuvers between Peres and Shamir/Ryal Ehrlich

Deep Throat

Thiss Turner comes to Israel

Michael Omand

Zeev Schiff on the Yarmouk as basic security element • Uri Nir on Palestinian jurists • Shaul Thadka on Gossip about Princess Di and Prince Charles

Fictional Sources/Akiva Alder • Party Corridors/Tan Shohari • Whistling in the Dark/Gideon Samet • Saboteur's Struggle, Yehuda Sharoni and Arge Lavi • Week's TV/Becky Ben-Zur

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Foreign money flow abated

Reserves growth slowed in June

Post Economic Staff
Foreign currency reserves grew by \$63 million in June to reach \$4.6 billion, the Finance Ministry reported yesterday.

The rate, however, was slower than in May, when reserves grew by \$144m., and April, when they were \$103m. higher. Nevertheless, observers greeted the smaller rate of inflow of June as good news, contending that it indicated the flow of foreign money into Israel for investment in short-term shekel accounts that had slowed.

The interest rates offered on the accounts are highly attractive by international standards, and in recent months they have lured deposits from overseas. As a result, however, Israel's foreign currency reserves swelled to unprecedented levels, leaving policy makers in a lurch over what to do about it.

The money had to be used constructively, such as to pay for imports that are cheap at the moment, as oil was last year, or pay off foreign debts early, otherwise in the long run it would be a net for the country.

The Treasury also exported yesterday that monetary injection during June came to \$140m. Although day-to-day government spending resulted in an absorption, the Bank of Israel injected even greater sums into the capital markets.

This was done principally through its open-market operations, where it was involved in buying Treasury bills from the commercial banks to relieve their seasonal liquidity pressures.

As a result, the monetary figures, like the growth in the reserves, indicated a far better situation than a superficial look at the figures would indicate.

Industrial output growth rate slows

Post Economic Staff
The pace of industrial growth slowed in the first quarter of the year, but was still 8 per cent higher than a year ago, the Central Bureau of Statistics reported yesterday.

Using fixed prices and seasonally adjusted figures, the bureau said industrial output grew 3 per cent in the January-March period from the previous quarter. However, that was slower than the 4 per cent rate recorded in the last two quarters of 1986.

On an annualized basis, industrial production grew at a 12 per cent rate in the January-March quarter.

The rate of growth among the different industrial sectors was not the same. The rubber, plastic and chemicals industries outpaced the industrial sector as a whole, registering a 7 per cent increase in production from the previous quarter. Food, beverages and tobacco grew 5 per cent, while metals, electrical equipment and electronics rose 4 per cent.

Lagging behind the overall in-

crease were textiles, which grew 2 per cent, and the building materials sector, which was unchanged from the previous quarter.

The bureau also reported that after sharp increases last year the number of wage-earners in industry remained virtually unchanged in the first quarter of 1987. By comparison, in the second quarter of 1986, the increase was about 1 per cent, in the third quarter 1 1/2 per cent and .05 per cent in the final three months.

On a year-on-year basis, the number of industrial workers was up 3.5 per cent, or 10,000, in the January-March quarter.

The food sector took on the most workers in the three months, putting an additional 6,000 on the payroll, followed by textiles, with 3,500, and paper products with 2,000. The electronics sector registered a net loss of 3,500 workers, the bureau said.

Daily wages, it said, soared 32 per cent in the three months from the same time last year and were up 9 per cent from the previous quarter.



Yeshayahu Gavish (Shlomo Lavie)

Gavish takes back threat of resignation

By JEFF BLACK
For the Jerusalem Post
Yeshayahu Gavish, general manager of the Histadrut-affiliated industrial giant Koor Industries Ltd., yesterday withdrew his threatened resignation at the request of Histadrut Secretary-General Yisrael Kessar.

Gavish issued his threat earlier this week after Kessar sharply criticized him at a directors' meeting of Hevrat Ha'ovdim, the Histadrut holding company, called to discuss Koor's 1986 balance sheet, which showed a net-profit loss of 78.7 per cent.

Yesterday, Kessar retracted his criticisms and told Gavish he had full confidence in him both as a manager and in his capacity to lead Koor in this tough economic period. Kessar also promised to help Koor solve its financial problems, including those of its stricken subsidiary, Soltam Ltd.

Even at that, U.S. aid to Israel has been declining in real terms for the past decade, said economist Howard Rosen, a panelist at the forum.

The primary problem confronting both Washington and Jerusalem is the U.S.'s dramatic shift from the world's largest net creditor in 1982 to the world's largest net debtor in 1986. The U.S. debt, now standing at \$260 b., is projected to reach \$1500 b. by the mid-1990's. Even now, the U.S. debt load exceeds that of Argentina, Brazil and Mexico combined. The U.S. budget deficit amounting to 5 per cent of gross national product, is almost double Israel's in relative terms.

Because of the U.S. economic distress, hard choices have to be made in formulating a budget, including the process of allocating foreign aid, whose levels have diminished from \$20.2 b. in 1985 to \$12.9 b. now.

'Israel should return \$100m. in U.S. aid'

By KEN SCHACHTER
For the Jerusalem Post
TEL AVIV. — Israel should propose deferring \$100 million from next year's economic aid package to help Washington grapple with its massive deficit problems, former Israeli and American diplomats said at a forum yesterday.

Dan Halperin, former Israeli economic attaché to Washington, said that by initiating the deferral for fiscal 1988, Jerusalem would earn goodwill in Congress and "protect" Israel's position in the allocation process.

Halperin's plan was promptly endorsed by Samuel Lewis, former U.S. ambassador to Israel, who was attending yesterday's session of a three-day conference on how domestic considerations affect U.S. Middle East policy.

Israel currently receives \$1.2 billion in economic aid and \$1.8 b. in military aid from the U.S., a level 1,000 times higher than it received just 20 years ago.

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Because of the U.S. economic distress, hard choices have to be made in formulating a budget, including the process of allocating foreign aid, whose levels have diminished from \$20.2 b. in 1985 to \$12.9 b. now.

Former MK Zalman Shoval, another panelist, noted that as the total aid pool has shrunk, the relative share of Israel and Egypt, treated as twins in the budget process, has grown "immensely."

Although high aid levels to Israel are bound to draw increasing scrutiny in Congress, Halperin urged Israel to resist proposals to put all or part of U.S. aid to Israel within Washington's huge \$300 b. defense budget.

While virtually everyone in Washington nowadays agrees Israel is a "strategic asset," and Israeli aid would be just a ripple in the ocean of the U.S. Defense Department, Halperin warned that such a move would be a "dangerous development."

It's far easier to make a case for aid when Israel is pitted against Turkey or Pakistan, or even poverty-stricken Africa, then when it must compete with the "101st division," he said.

On the flip side of the question, Shoval said, Israel faced its own "mountain of debt" as a result of U.S. largesse. Since Washington's plight makes it increasingly difficult to forgive or reschedule interest payments, Shoval said ultimately Israel may have to trade debt for equity in the Israeli economy.

But U.S. economic difficulties will have a fallout that goes far beyond bilateral concerns, said Rosen. He questioned whether the U.S. could afford to ante up \$1 b. in aid if Jordan joins the peace process as it did for Egypt. U.S. economic interests also are reflected in military moves to keep oil flowing through the Gulf. The U.S. now depends on foreign capital, particularly that of West Germany and Japan, to keep its economy functioning. If the oil tap is turned off to those two countries, they will go into recession and "the U.S. is sure to follow," he said.

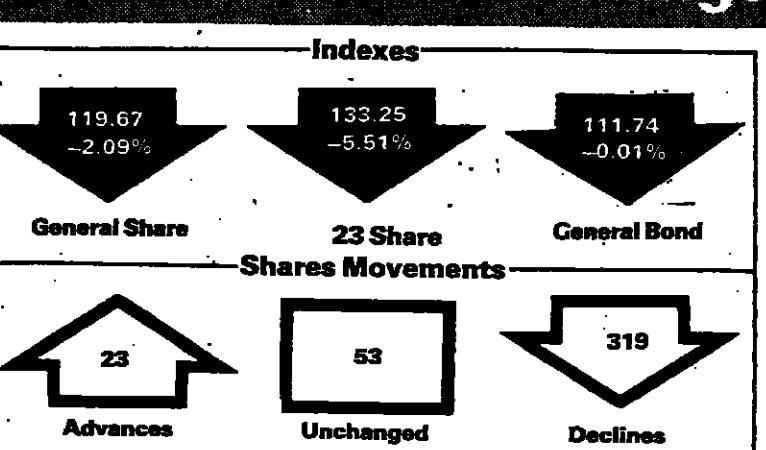
Histadrut wage talks resume today

By JEFF BLACK
For the Jerusalem Post
The public sector wage negotiations between the Histadrut trade union department and the Treasury are scheduled to resume this afternoon in Tel Aviv.

Trade Union officials yesterday refused to speculate on the outcome of the talks, but said they expected to receive new Treasury proposals in response to the public sector demands for a wage rise, a shorter work week and higher pensions.

Meanwhile, Reuven Ben-Ami, the civil service union leader, yesterday reiterated threats of a total strike within the civil service next week if the Treasury refuses to agree to his union's demands for separate wage negotiations.

Tel Aviv Stock Exchange



Selected Prices

Name	Price	Ticker	% change
Commercial Banks			
Bank Leumi	21500	7890	-0.5
Bank Hapoalim	20700	175	-10.0
Bank Mizrahi	17800	5789	-
Commercial Banks			
Bank Leumi	1025	80	+0.1
Bank Hapoalim	125000	977	-0.8
Bank Mizrahi	40723	317	-0.8
Bank Leumi	6200	1807	-
Bank Hapoalim	179481	20	+4.7
Bank Mizrahi	10010	3614	-
Bank Leumi	55370	-	-
Mortgage Banks & Finance			
Bank Leumi	8555	272	-4.5
Bank Hapoalim	2140	2250	-3.2
Bank Mizrahi	9420	928	-3.1
Bank Leumi	21705	1332	-2.5
Bank Hapoalim	7835	145	-10.0
Bank Mizrahi	11400	91	-5.0
Bank Leumi	15300	34	-5.9
Insurance			
Asrat 0.1	1160	112	-4.8
Phoenix 0.1	720	8400	-5.8
Hannan 0.1	4890	252	-10.0
Memoria 1.0	2400	280	-5.5
Sahar 1.0	360	7272	-3.2
Securities	1129	2267	-7.4
Zion Hotel 1.0	8550	283	+1.9
Trade & Services			
Intergal 0.1	760	988	-5.6
Meir Ezra	838	2152	-
Crystal	835	4655	-10.0
Lighting 0.1	1185	103	-5.0
Den Hotels 1.0	1619	s.o.1	-5.0
Corral Beach	6500	220	-5.0
Yarden Hotel	2550	350	-6.7
Wilton 1.0	4550	1550	-5.0
M.L.L. 1.0	14000	6	-
Team 1.0	790	7914	-3.8
Real Estate, Building and Agriculture			
Al-Rov	1385	2372	-8.1
Arava 0.1	43124	358	-5.1
Arava 0.1	37500	623	-3.8
Arava 0.1	2300	2477	-4.2
Arava 0.1	5830	623	-3.8
Arava 0.1	283	22254	-
Arava 0.1	3980	1653	-9.1
Arava 0.1	15955	161	-1.2
Arava 0.1	676	22258	-5.4
Arava 0.1	5530	1546	-4.5
Arava 0.1	1490	4798	-6.0
Industrials			
Dupak 1.0	5485	2345	-3.5
Tempo 1.0	28500	155	-8.5
Investment Companies			
Israel Corp. 1.0	3731	5739	-4.8
Wofinor 1.0	125050	-	-
Heposin Inv.	800	17341	-7.0
Mizrahi Invest.	31830	-83	-8.1
Vesum	240	35230	-3.2
Perna 0.1	7288	132	-10.0
Pryon	11400	655	-7.3
Oil Exploration			
Oil Expl.	36300	80	-3.5
J.O.E.L.	742	33631	-10.0
25 Shares			
Name	Price	Ticker	% change
First Internet	6218	4080	-4.50
Arava 0.1	278	22000	-
Arava 0.1	373	19570	-8.3
Arava 0.1	11732	180	-5.00
Arava 0.1	1021	2800	-2.5
Arava 0.1	2248	29120	-8.50
Arava 0.1	1019	54450	-7.00
Arava 0.1	2844	6500	-6.75
Arava 0.1	82055	530	-8.00
Arava 0.1	598	18500	-5.00
Arava 0.1	15315	720	-8.50
Arava 0.1	1021	2800	-2.5
Arava 0.1	481520	37	-4.00
Arava 0.1	374333	54	-4.75
Arava 0.1	12555	3550	-5.00
Arava 0.1	2470	12550	-7.5
Arava 0.1	620	69000	-6.00
Arava 0.1	351583	542	-8.25
Arava 0.1	227	348000	-5.00
Arava 0.1	8707	4400	-5.00
Arava 0.1	4482	1200	-5.00
Arava 0.1	2405	13700	-5.00
Arava 0.1	1078	35400	-5.25
Arava 0.1	2880	800	-5.25

Statistics

Stock Indexes	Value	% change
General Share	124.38	-0.02%
Non-arrmt.	154.42	-0.01%
Arrangement Banks	118.78	+0.11%
Mortgage Banks	108.68	-0.17%
Financial Inst.	113.31	-1.08%
Insurance	97.85	-0.85%
Consumer & Services	118.12	-0.07%
Real Estate & Agric.	110.75	-0.42%
Industrials	124.41	-0.88%
Food & Tobacco	111.47	-0.74%
Tobacco	113.11	-0.18%
Metals	119.12	-3.55%
Electronics	121.77	-0.91%
Chemicals	120.35	-0.52%
Industrial Invest.	142.83	-0.58%
Investment Cos.	138.09	-0.55%
Oil Exploration	152.11	-0.89%

Bond Indices

Bond Indices	Value	% change
Index-linked Bonds	110.91	-0.01%
Fully linked	112.30	+0.06%
Partly linked	108.68	-0.17%
Foreign Currency	115.58	+0.23%
FC denominated	112.85	+0.19%
FC linked	118.53	+0.25%
Short-term 0-2 yrs	110.91	-0.01%
Short-term 2-5 yrs	111.55	+0.02%
Medium-term 5-7 yrs	113.85	-0.06%
Long-term 7+ yrs	114.00	-0.13%

Turnovers

Turnovers	Value	% change
Total Shares	NIS 27,524,400	-
Non-arrangement	NIS 12,075,800	-
Arrangement	NIS 5,448,600	-
Bonds	NIS 8,017,100	-
Treasury Bills	NIS 16,709,100	-

Share Movements

Share Movements	Advances	Declines	Unchanged
Advances	23	(25)	31
Declines	23	9	(3)
Unchanged	146	(118)	28
Trading Halt	18	(20)	2

Bond Market Trends

Bond Market Trends	Index-linked	Fully linked	Partly linked
Index-linked	Mixed to 1%	Mixed to 1%	Mixed to 1%
Fully linked	4.25% fully linked	Stable/falls to 1%	Stable/falls to 1%
Partly linked	Stable/falls to 1%	Stable/falls to 1%	Stable/falls to 1%
Foreign Currency	No trading	Rises to 2%	Rises to 2%
FC denominated	Mixed to 1%	Mixed to 1%	Mixed to 1%
FC linked	15.82-18.2%	15.82-18.2%	15.82-18.2%

Arrangement Yields

Arrangement Yields	Yield	% change
Index-linked	13.75%	-
Union 0.1	13.20%	-
Discount A	13.75%	-
Mizrahi R.	12.58%	-
Hapoalim R.	13.55%	-
General A	13.75%	-
Leumi Stock	13.32%	-
Fin. Trade 1	13.32%	-

'Ease moshavim's debt'

By ASHER WALLFISH
The banks have made more than enough profit from their loans to moshav farmers, and the only way they will ever get back their loan capital, plus a modest interest, is to waive the bulk of their interest, the Finance Committee told representatives of the Bank Association yesterday.

The Finance Committee told the bankers that the demand in the Ravid report on the financial plight of the moshavim, that the banks wipe out NIS 160 million in old debts, was far from burdensome in light of what the banks had earned from the farmers over the years. In fact, they should wipe out much more than NIS 160m., the bankers were told.

Likud MK Yoram Aridor set the

tone for all the factions in the committee when he said that the banks should waive every agora owing to them from excessive interest and be satisfied with the regular rate of commercial interest.

"It's a loss you banks can live with, and you'll have to," Aridor said. "If you don't agree, the Knesset can always pass legislation giving voting rights to the owners of the bank shares as they are unfrozen," he threatened.

Aridor's menace was echoed by colleagues from the Likud, Tehiya, and the Citizen's Rights Movement. The representatives of the Banks Association did not take the threat lying down, however.

Richard Armon of Bank Hapoalim said the committee had been misin-

Israel Money Market

Shekel Deposits (annual rates)	Deposit Size	Tapas	7 days	14 days	30 days
Bank Leumi (June 29)	50-999	13.00	8.00	8.50	8.00
	1,000-9,999	13.25	12.25	12.50	12.25
	10,000-49,999	13.50	13.50	13.50	13.25
	50,000+	14.00	14.00	14.00	13.75
Hapoalim (June 18)	Up to 999	13.00	13.00	13.00	12.50
	1,000-49,999	13.50	13.50	13.50	13.00
	50,000+	14.00	14.00	14.00	13.50
Discount (July 2)	1,000-4,999	8.00	8.50	9.00	10.00
	5,000-9,999	13.00	13.00	13.00	13.00
	10,000-49,999	14.00	14.00	14.00	14.00
	50,001-99,999	14.00	14.00	14.00	14.00
Mizrahi	40-499	13.00	13.00	13.00	13.00
	1,001-2,500	13.00	13.00	13.00	13.00
	2,501-5,000	13.00	13.00	13.00	13.00
	5,001-10,000	13.00	13.00	13.00	13.00
First Tel (June 29)	50-999	8.00	8.40	8.40	11.20
	1,000-4,999	12.00	12.50	13.00	12.50
	5,000-9,999	13.00	13.00	14.00	13.00
	10,000-49,999	13.50	14.10	14.30	14.00
	50,000+	14.50	14.60	14.60	14.50

Petah (foreign currency deposit rates, July 1)	Currency (w/o deposit)	3 MONTHS	6 MONTHS	12 MONTHS
U.S. dollar (\$100,000)	6.500	8.750	7.000	7.000
French franc (FF100,000)	7.500	7.250	7.275	7.2

